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SUBJECT: KAZAKHSTAN'S PRESIDENT NAZARBAYEV FOCUSES SOLELY ON ECONOMY IN ANNUAL ADDRESS TO PARLIAMENT

REF: 08 ASTANA 280 (NOTAL)

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¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (U) SUMMARY: President Nazarbayev delivered his annual address to Parliament on March 6. The entire address was devoted to the economy and overcoming the global economic crisis. He claimed that many governments have come to understand the necessity of a "guiding hand" for the economy, and that "regulation is becoming the most important means for exiting the crisis." Nazarbayev justified the February 4 devaluation of the Kazakhstani tenge as necessary to maintain the competitiveness of domestic Kazakhstani producers. He detailed the government's on-going program to overcome the economic crisis and announced that an additional 600 billion tenge (\$4 billion) will be allocated for modernizing the economy for the post-crisis period. Nazarbayev said that high-ranking officials will bear personal responsibility for implementing anti-crisis measures. END SUMMARY.

ADDRESS DEVOTED ENTIRELY TO ECONOMIC ISSUES

¶3. (U) President Nazarbayev delivered his annual address to Parliament on March 6. The entire address -- entitled "Through the Crisis toward Renewal and Development" -- was devoted to the economy and the government's program to mitigate the effects of the global economic crisis. Unlike last year (see reftel), Nazarbayev made no mention of foreign policy or domestic political reforms.

¶4. (U) Nazarbayev told Parliament that the economic crisis had arrived in Kazakhstan from "the outside." He said that the world's leading economies had already devoted ten trillion dollars to overcome the crisis, and noted that many analysts say the global economy has not yet hit bottom. Nazarbayev predicted that the crisis would lead to changes in the world financial system -- and possibly to changes in the political systems of various countries. He claimed that many governments have come to understand the necessity of a "guiding hand" for the economy, and that "regulation is becoming the most important means for exiting the crisis." According to Nazarbayev, "A profound and radical approach will help

the world community find those paths which will protect us during future zigzags of the world market economy. For that reason, the radical measures I have proposed" -- an apparent reference to his recent suggestion to replace the dollar with a new global currency -- "will be discussed by the world community."

¶ 15. (U) President Nazarbayev noted that in recent months, world prices for Kazakhstan's principal exports -- crude oil and metals -- have fallen dramatically, and that Russia and Ukraine have devalued their currencies by 40 to 45 percent. He justified the February 4 devaluation of the Kazakhstani tenge as aimed at protecting the interests of the country's producers, explaining that a failure to devalue would have damaged their competitiveness -- and would have forced the country to continue burning through its gold and currency reserves. Nazarbayev argued that Kazakhstan will emerge from the crisis a stronger and more vibrant state -- and will preserve its position in the global community.

¶ 16. (U) Nazarbayev described the decision to establish Kazakhstan's National (Oil) Fund as a "well thought-out" policy that has allowed the government to use money saved up in good times to support social spending through the current crisis. He noted that Kazakhstan was one of the world's first countries to react to the global economic turbulence and implement measures to counteract it. Nazarbayev described some of the details of the government's ongoing anti-crisis plan, pointing out that over 2.7 trillion tenge (approximately \$18 billion) has been allocated for all its components -- including support for the financial sector, residential construction, small- and medium-sized enterprises, and agriculture.

¶ 17. (U) Nazarbayev announced a new 2009-2010 program --involving an additional 600 billion tenge (approximately \$4 billion) taken from

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the National Fund -- for further economic modernization and an employment strategy which will "ensure the country's post-crisis development."

¶ 18. (U) At the end of his speech, Nazarbayev argued that sufficient means have now been allotted from the government's reserves for anti-crisis measures. He said the Cabinet and the Prime Minister, as well as the heads of state bodies and akims (governors and mayors) "will bear personal responsibility for implementation of the measures for exiting the crisis." He said that those who had voted for the ruling Nur Otan party "showed great confidence in us." "We have to justify that (confidence) and lead a large-scale anti-crisis movement in society." He appealed to state officials to better explain the government's anti-crisis measures to the population, and said law enforcement bodies must decisively fight crime, corruption, and fraud. He also appealed to the media to be more active. "It's not by coincidence that they call you the Fourth Estate," said Nazarbayev. The media needs to be an "advisor" to the population on how to overcome difficulties and how to survive these trying times, he added.

¶ 19. (SBU) COMMENT: This was a sober and responsible speech. While it lays the groundwork for greater government intervention in the economy, it was not in any way out of the mainstream of the current thinking of other world capitals. It also seems to imply confidence in the current managers of the economic and financial leaders of the government, despite press speculation that Nazarbayev is preparing a broad reorganization of the government. We'll see. The bottom line is that this speech and its policy implications are in line with what we have been hearing and reporting from the international financial institutions and from the private-sector international financial interests based in Kazakhstan. END COMMENT.

HOAGLAND